



BEAUREGARD PARISH WATERWORKS
DISTRICT NO. 2
BEAUREGARD PARISH POLICE JURY
DERIDDER, LOUISIANA

ANNUAL FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT

DECEMBER 31, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/29/09

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John A. Windham, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Beauregard Parish Waterworks District No. 2
Singer, Louisiana

I have audited the accompanying financial statements of the business-type activities, of Beauregard Parish Waterworks District No. 2, a component unit of the Beauregard Parish Police Jury, DeRidder, Louisiana, as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Beauregard Parish Waterworks District No. 2's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Beauregard Parish Waterworks District No. 2, as of December 31, 2008, and the changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 20, 2009 on my consideration of Beauregard Parish Waterworks District No. 2's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Beauregard Parish Waterworks District No. 2, a component unit of the Beauregard Parish Police Jury, DeRidder, Louisiana, has not presented management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Board of Commissioners
Beauregard Parish Waterworks
District No. 2
Singer, Louisiana

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Beauregard Parish Waterworks District No. 2's basic financial statements. The schedules of per diem paid to board members, prior year audit findings, and current year audit findings and management's response are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of per diem paid to board members, prior year audit findings, and current year audit findings and management's response have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, I express no opinion on them.

James L. Windham, CPA

DeRidder, Louisiana
May 20, 2009

BASIC FINANCIAL STATEMENTS

Beauregard Parish Waterworks District No. 2
 Beauregard Parish Police Jury
 DeRidder, Louisiana

Statement A

Statement of Net Assets
 December 31, 2008

	Business-Type Activities - Enterprise Fund Water and Sewer
Assets	
Current Assets	
Cash and cash equivalents	\$ 595,537
Receivables:	
Accounts	39,450
Ad valorem taxes	239,166
Prepaid insurance	13,617
Total current assets	<u>\$ 887,770</u>
Restricted Assets	
Cash	<u>\$ 745,710</u>
Noncurrent Assets	
Land	\$ 5,324
Utility plant and equipment - net	2,672,422
Bond issuance cost - net	17,045
Total noncurrent assets	<u>\$ 2,694,791</u>
Total assets	<u>\$ 4,328,271</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 17,661
Payroll taxes payable	3,229
Pension payable - ad valorem tax	8,370
Total current liabilities	<u>\$ 29,260</u>
Liabilities payable from restricted assets	
Accrued interest payable	\$ 10,790
Current portion of revenue bonds	105,000
Total liabilities payable from restricted assets	<u>\$ 115,790</u>
Noncurrent Liabilities	
Revenue bonds - due in more than one year	<u>\$ 998,934</u>
Total liabilities	<u>\$ 1,143,984</u>
Net Assets	
Invested in capital assets - net of related debt	\$ 1,573,812
Restricted for:	
Debt service	629,920
Unrestricted	<u>980,555</u>
Total net assets	<u>\$ 3,184,287</u>
Total liabilities and net assets	<u>\$ 4,328,271</u>

The accompanying notes are an integral part of this statement.

Beauregard Parish Waterworks District No. 2
Beauregard Parish Police Jury
DeRidder, Louisiana

Statement B

Statement of Activities
For the Year Ended December 31, 2008

Program Activities	<u>Expenses</u>	<u>Program Revenues</u> <u>Charges for</u> <u>Services</u>	<u>Business-type</u> <u>Activities</u>
Business-type activities:			
Water and sewer	\$ 599,128	\$ 508,718	\$ (90,410)
General revenues:			
Investment earnings			12,407
Ad valorem tax receipts			247,646
Total general revenues			<u>260,053</u>
Change in net assets			169,643
Net assets at beginning of year			<u>3,014,644</u>
Net assets at end of year			<u><u>\$ 3,184,287</u></u>

The accompanying notes are an integral part of the statement.

Beauregard Parish Waterworks District No. 2
Beauregard Parish Police Jury
DeRidder, Louisiana

Statement C

Statement of Net Assets
Proprietary Fund
December 31, 2008

	Business-Type Activities - Enterprise Fund Water and Sewer
Assets	
Current Assets	
Cash and cash equivalents	\$ 595,537
Receivables:	
Accounts	39,450
Ad valorem taxes	239,166
Prepaid insurance	13,617
Total current assets	<u>\$ 887,770</u>
Restricted Assets	
Cash	<u>\$ 745,710</u>
Noncurrent Assets	
Land	\$ 5,324
Utility plant and equipment - net	2,672,422
Bond issuance cost - net	17,045
Total noncurrent assets	<u>\$ 2,694,791</u>
Total assets	<u>\$ 4,328,271</u>
Liabilities	
Current Liabilities	
Accounts payable	\$ 17,661
Payroll taxes payable	3,229
Pension payable - ad valorem tax	8,370
Total current liabilities	<u>\$ 29,260</u>
Liabilities payable from restricted assets	
Accrued interest payable	\$ 10,790
Current portion of revenue bonds	105,000
Total liabilities payable from restricted assets	<u>\$ 115,790</u>
Noncurrent Liabilities	
Revenue bonds - due in more than one year	<u>\$ 998,934</u>
Total liabilities	<u>\$ 1,143,984</u>
Net Assets	
Invested in capital assets - net of related debt	\$ 1,573,812
Restricted for:	
Debt service	629,920
Unrestricted	980,555
Total net assets	<u>\$ 3,184,287</u>
Total liabilities and net assets	<u>\$ 4,328,271</u>

The accompanying notes are an integral part of this statement.

Beauregard Parish Waterworks District No. 2
Beauregard Parish Police Jury
DeRidder, Louisiana

Statement D

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

For the Year Ended December 31, 2008

	Business-Type Activities - Enterprise Fund Water and Sewer
Operating revenues	
Charges for services	<u>\$ 508,718</u>
Operating expenses	
Personal services	\$ 120,007
Supplies	78,438
Contractual services	152,044
Utilities	55,802
Depreciation	101,747
Amortization	4,673
Total operating expenses	<u>\$ 512,711</u>
Income (loss) from operations	<u>\$ (3,993)</u>
Nonoperating revenues (expenses)	
Investment income	\$ 12,407
Interest expense	(78,047)
Ad valorem taxes	247,646
Ad valorem taxes - pension expense	(8,370)
Total nonoperating revenue	<u>\$ 173,636</u>
Change in net assets	\$ 169,643
Net assets at beginning of year	<u>3,014,644</u>
Net assets at end of year	<u><u>\$ 3,184,287</u></u>

The accompanying notes are an integral part of this statement.

Beauregard Parish Waterworks District No. 2
Beauregard Parish Police Jury
DeRidder, Louisiana

Statement E

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2008

	Business-Type Activities - Enterprise Fund
	<u>Water and Sewer</u>
Cash flows from operating activities:	
Cash received from customers	\$ 509,742
Cash payments to suppliers for goods and services	(277,884)
Cash payments to employees for services	(119,768)
Net cash provided by operating activities	<u>\$ 112,090</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (184,428)
Principal paid on long term debt	(1,261,252)
Interest paid on long term debt	(84,796)
Bond proceeds	1,058,000
Bond issue cost paid	(17,595)
Deferred valuation account	8,820
Net cash used for capital and related financing activities	<u>\$ (481,251)</u>
Cash flows from non-capital and related financing activities:	
Ad valorem tax collections	\$ 287,307
Pension paid on ad valorem taxes	(10,039)
Net cash provided by non-capital and related financing activities	<u>\$ 277,268</u>
Cash flow from investing activities:	
Interest income	<u>\$ 12,407</u>
Net increase (decrease) in cash and cash investments	\$ (79,486)
Cash and cash equivalents, beginning	<u>1,420,733</u>
Cash and cash equivalents, ending	<u>\$ 1,341,247</u>

(Continued)

The accompanying notes are an integral part of this statement.

Beauregard Parish Waterworks District No. 2
Beauregard Parish Police Jury
DeRidder, Louisiana

Statement E

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2008

	Business-Type Activities - Enterprise Funds
	<u>Water and Sewer</u>
Reconciliation of loss from operations to net cash provided by operating activities:	
Loss from operations	<u>\$ (3,993)</u>
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation	\$ 101,747
Amortization	4,673
Change in assets and liabilities:	
Decrease in accounts receivable	1,024
Increase in accounts payable	8,523
Increase in payroll taxes payable	239
Increase in prepaid insurance	(123)
Net cash provided by operating activities	<u>\$ 112,090</u>
	(Concluded)

The accompanying notes are an integral part of this statement.

Beauregard Parish Waterworks District No. 2

Notes to the Financial Statements As of and for the Year Ended December 31, 2008

INTRODUCTION

The Beauregard Parish Waterworks District No. 2 was created by the Beauregard Parish Police Jury under Louisiana Revised Statute 33:3811. The purpose of the water district is to provide water service to rural residents of the district. The governing body is composed of five compensated board members appointed by the Beauregard Parish Police Jury.

The District is located in central Beauregard Parish in the southwestern region of the State of Louisiana. The District provides rural water service to approximately 1,600 residents and employs approximately three employees.

The accounting and reporting policies of the Beauregard Parish Waterworks District No. 2 conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Beauregard Parish Waterworks District No. 2 is considered a component unit of the Beauregard Parish Police Jury. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Beauregard Parish Waterworks District No. 2. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Beauregard Parish Waterworks District No. 2 reports the following proprietary fund:

The Proprietary Fund accounts for operations (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Beauregard Parish Waterworks District No. 2

Notes to the Financial Statements (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Charges for services of providing water services to residents comprise the operating revenue of the District's enterprise fund. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, and then unrestricted resources as they are needed.

C. Cash and Cash Equivalents

The District's cash is considered to be cash on hand, and demand deposits. Cash equivalents include amounts in time deposits and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Beauregard Parish Waterworks District No. 2's investment policy allow the entity to invest in collateralized certificates of deposits, government backed securities, commercial paper, the state sponsored investment pool, and mutual funds consisting solely of government backed securities.

D. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

E. Restricted Assets

Certain proceeds of the Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense included during the current fiscal year was \$78,047. Of this amount none was included as part of the cost of capital assets under construction in connection with the District's construction projects.

Beauregard Parish Waterworks District No. 2

Notes to the Financial Statements (Continued)

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Distribution system	40-50 years
Buildings and building improvements	20-40 years
Furniture and fixtures	5-15 years
Machinery and equipment	3-15 years
Vehicles	5 years

G. Compensated Absences

The District has no formal leave policy and does not provide for the accumulation and vesting of leave.

H. Long Term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

I. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the District, which are either unusual in nature or infrequent in occurrence. The district had no extraordinary or special items as of December 31, 2008.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

At December 31, 2008, the District has cash (book balances) totaling \$1,341,247 as follows:

Demand deposits	\$ 644,327
Money market accounts	189,746
Savings account	101,384
Interest bearing demand deposits	405,790
Total	<u>\$ 1,341,247</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2008, the District has \$1,342,165 in deposits (collected bank balances). These deposits are secured from risk by \$1,059,377 of federal deposit insurance and \$282,788 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Beauregard Parish Waterworks District No. 2

Notes to the Financial Statements (Continued)

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

3. RECEIVABLES

The receivables of \$278,616 at December 31, 2008, are as follows:

<u>Class of receivable</u>	
Accounts	\$ 39,450
Ad valorem taxes	239,166
Total	<u>\$ 278,616</u>

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2008, for the primary government is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 5,324	\$ -	\$ -	\$ 5,324
Construction in progress	1,902	173,430	175,332	-
Total business-type activities not being depreciated	<u>7,226</u>	<u>173,430</u>	<u>175,332</u>	<u>5,324</u>
Capital assets being depreciated				
Vehicles	105,974	-	-	105,974
Buildings	41,329	-	-	41,329
Utility plant and improvements	4,692,869	175,332	-	4,868,201
Machinery and equipment	203,981	11,000	-	214,981
Total capital assets being depreciated	<u>5,044,153</u>	<u>186,332</u>	<u>-</u>	<u>5,230,485</u>
Less accumulated depreciation for:				
Vehicles	82,078	8,793	-	90,871
Buildings	13,612	1,033	-	14,645
Utility plant and improvements	2,212,468	79,345	-	2,291,813
Machinery and equipment	148,158	12,576	-	160,734
Total accumulated depreciation	<u>2,456,316</u>	<u>101,747</u>	<u>-</u>	<u>2,558,063</u>
Total business-type assets being depreciated, net	<u>\$ 2,587,837</u>	<u>\$ 84,585</u>	<u>\$ -</u>	<u>\$ 2,672,422</u>

5. ACCOUNTS AND OTHER PAYABLES

The payables of \$29,260 at December 31, 2008, are as follows:

Accounts	\$ 17,661
Payroll taxes	3,229
Pension plan - ad valorem tax	8,370
Total	<u>\$ 29,260</u>

Beauregard Parish Waterworks District No. 2

Notes to the Financial Statements (Continued)

6. RETIREMENT SYSTEMS

All employees of the District are members of the Federal Social Security System. The District contributes 7.65% of gross salaries up the appropriate statutory limits to that system. The Federal Social Security System administers the plan and pays benefits.

7. LONG-TERM OBLIGATIONS

The following is a summary of the long-term debt transactions of the District for the year ended December 31, 2008:

	General Obligation Bonds	Revenue Bonds	Total
Bonds payable, January 1, 2008	\$ 87,782	\$ 1,224,333	\$ 1,312,115
Bonds retired	(90,000)	(1,171,252)	(1,261,252)
Bond proceeds	-	1,058,000	1,058,000
Deferred amount on refunding	2,218	(7,147)	(4,929)
Bond payable, December 31, 2008	<u>\$ -</u>	<u>\$ 1,103,934</u>	<u>\$ 1,103,934</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of December 31, 2008:

	Revenue Bonds
Current portion	\$ 105,000
Long-term portion	1,022,000
Total	<u>\$ 1,127,000</u>

Bonds payable at December 31, 2008 are comprised of the following individual issues:

Revenue refunding bonds:

\$1,412,000 Water Revenue Refunding Bonds, Series 2002,
dated September 1, 2002, due in annual installments of \$20,000 to
\$157,000 beginning April 1, 2003 through April 1, 2017;
interest at 5.00% \$69,000

Revenue refunding bonds:

\$1,058,000 Water Revenue Refunding Bonds, Series 2008,
dated October 1, 2008, due in annual installments of \$36,000 to
\$145,000 beginning April 1, 2009 through April 1, 2017;
interest at 3.72% \$1,058,000

Beauregard Parish Waterworks District No. 2

Notes to the Financial Statements (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2008 including interest payments of \$199,923 are as follows:

Year Ending	Revenue Bonds		Total
	Principal	Interest	
2009	\$ 105,000	\$ 40,413	\$ 145,413
2010	112,000	35,932	147,932
2011	116,000	31,694	147,694
2012	120,000	27,305	147,305
2013	125,000	22,748	147,748
2014-2017	549,000	41,831	590,831
Totals	\$ 1,127,000	\$ 199,923	\$ 1,326,923

A summary of bond issuance cost at December 31, 2008 is as follows:

Bond issuance cost	\$ 17,595
less: accumulated amortization	(550)
Net bond issuance cost	\$ 17,045

On October 1, 2008 Beauregard Parish Waterworks District No. 2 issued \$1,058,000 in Water Revenue Refunding Bonds, Series 2008, with an interest rate of 3.72% to complete an advance refunding of \$1,025,000 of outstanding Water Revenue Refunding Bonds dated September 1, 2002 with an interest rate of 5.00%.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$13,754 plus the unamortized deferred valuation amount of the old debt of \$10,056 for a total deferred valuation of the new debt of \$23,810. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2017. The waterworks district completed the advance refunding to reduce its total debt service payments over the next eight years by \$116,048 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$36,000.

Beauregard Parish Waterworks District No. 2

Notes to the Financial Statements (Continued)

Table 1
Debt Service Requirements of the New Debt and Calculation of the Effective Interest Rate

Date	Principal Due	Interest Rate	Interest	Debt Service Payments	Present Value
1-Apr-09	\$ 36,000	3.720%	\$ 19,679	\$ 55,679	\$ 54,662
1-Oct-09			19,009	19,009	18,321
1-Apr-10	112,000	3.720%	19,009	131,009	123,963
1-Oct-10			16,926	16,926	15,723
1-Apr-11	116,000	3.720%	16,926	132,926	121,225
1-Oct-11			14,768	14,768	13,222
1-Apr-12	120,000	3.720%	14,768	134,768	118,457
1-Oct-12			12,536	12,536	10,818
1-Apr-13	125,000	3.720%	12,536	137,536	116,516
1-Oct-13			10,211	10,211	8,493
1-Apr-14	129,000	3.720%	10,211	139,211	113,667
1-Oct-14			7,812	7,812	6,262
1-Apr-15	135,000	3.720%	7,812	142,812	112,387
1-Oct-15			5,301	5,301	4,095
1-Apr-16	140,000	3.720%	5,301	145,301	110,208
1-Oct-16			2,697	2,697	2,008
1-Apr-17	<u>145,000</u>	3.720%	<u>2,697</u>	<u>147,697</u>	<u>107,972</u>
	<u>\$ 1,058,000</u>		<u>\$ 198,202</u>	<u>\$ 1,256,202</u>	<u>\$ 1,058,000</u>

Calculation of effective interest rate target amount and rate:

Principal amount of new debt	\$ 1,058,000
Effective interest rate target	<u>\$ 1,058,000</u>
Effective interest rate	3.720000%

Beauregard Parish Waterworks District No. 2

Notes to the Financial Statements (Continued)

Table 2
Debt Service Requirements of the Old Debt

Date	Principal Due	Interest Rate	Interest	Debt Service Payments	Present Value
1-Apr-09	\$ 69,000	5.000%	\$ 27,350	\$ 96,350	\$ 91,421
1-Oct-09			25,625	25,625	24,405
1-Apr-10	73,000	5.000%	25,625	98,625	91,665
1-Oct-10			23,800	23,800	21,587
1-Apr-11	117,000	5.000%	23,800	140,800	124,631
1-Oct-11			20,875	20,875	17,747
1-Apr-12	123,000	5.000%	20,875	143,875	121,289
1-Oct-12			17,800	17,800	14,644
1-Apr-13	129,000	5.000%	17,800	146,800	117,862
1-Oct-13			14,575	14,575	11,420
1-Apr-14	135,000	5.000%	14,575	149,575	114,372
1-Oct-14			11,200	11,200	8,358
1-Apr-15	142,000	5.000%	11,200	153,200	111,565
1-Oct-15			7,650	7,650	5,437
1-Apr-16	149,000	5.000%	7,650	156,650	108,645
1-Oct-16			3,925	3,925	2,657
1-Apr-17	157,000	5.000%	3,925	160,925	106,295
	<u>\$ 1,094,000</u>		<u>\$ 278,250</u>	<u>\$ 1,372,250</u>	<u>\$ 1,094,000</u>

Table 3
Calculation of Difference in Cash Flow Requirements and Economic Gain

CASH FLOW DIFFERENCE	
Old debt service cash flows	\$ 1,372,250
New debt service cash flows	<u>1,256,202</u>
	<u>\$ 116,048</u>
ECONOMIC GAIN	
Present value of old debt service cash flows	\$ 1,094,000
Present value of new debt service cash flows	<u>1,058,000</u>
	<u>\$ 36,000</u>

Beauregard Parish Waterworks District No. 2

Notes to the Financial Statements (Concluded)

8. RESTRICTED NET ASSETS

RESTRICTED ASSETS

Revenue bonds sinking funds	\$ 644,327
Revenue bonds depreciation and contingency funds	101,383
Total	<u>\$ 745,710</u>

Less:

LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Current portion of revenue bonds	\$ 105,000
Accrued interest on revenue bonds	10,790
Total	<u>\$ 115,790</u>

Restricted net assets	<u>\$ 629,920</u>
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9. AD VALOREM TAXES

Ad valorem taxes are collected and remitted by the local sheriff, if taxes are not paid, a sheriff's sale is held and the property is sold to satisfy the taxes due on the property. Due to this, the majority, if not all ad valorem taxes are collected; therefore no allowance account for uncollectibles has been established.

Ad valorem taxes are levied on a calendar year basis and become due on January 1 of each year. The following is a summary of authorized and levied ad valorem taxes:

	Authorized	Levied	Expiration
	Millage	Millage	Date
Taxes due for:			Renewed
Operation and Maintenance	11.80	11.80	Annually

The following are the principal taxpayers and related property tax revenues for the entity:

	Type	Assessed	% of Total	Ad Valorem Tax
Taxpayer	of Business	Valuation	Valuation	Revenue for Municipality
Meriwether Louisiana	Timber Management	\$ 1,826,820	7.59%	\$ 21,556
Swift Energy Company	Oil exploration	3,279,170	13.63%	38,694
Truckline Gas Company		3,504,370	14.56%	41,352
Total		\$ 8,610,360	35.78%	\$ 101,602

OTHER SUPPLEMENTAL SCHEDULES

Beauregard Parish Waterworks District No. 2
Beauregard Parish Police Jury
DeRidder, Louisiana

Schedule 1

Schedule of Per Diem Paid to Board Members
For the Year Ended December 31, 2008

The following is a breakdown of commissioner's fees for the year ended December 31, 2007.

<u>Board Member</u>	<u>Number of Meetings</u>	<u>Amount of Per Diem</u>	<u>Amount</u>
Ronnie Cagle	17	\$ 50	\$ 850
Bill White	17	50	850
Paul Cooley	19	50	950
Delores Franks	19	50	950
Dennis Hyatt	17	50	850
Total			<u>\$ 4,450</u>

The schedule of compensation paid to board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature and within the provisions of R.S. 33:3819.

OTHER REPORTS

Schedule of Prior Year Audit Findings
Year Ended December 31, 2008

Findings - Financial Statement Audit

There were no prior year audit findings reported as of December 31, 2007.

Schedule of Current Year Audit Findings
and Management's Response
Year Ended December 31, 2008

Audit Finding No. 2008-1

Lack of Segregation of Duties

Finding:

The district has a lack of segregation of duties so that one individual does not handle a single transaction from it's initiation to completion. The district does not have the financial resources to hire additional personnel to achieve proper segregation of duties. While this has been noted it is important for the district to be aware of this condition.

Recommendation:

The board should be aware of this condition and continually monitor personnel working with the district's finances and segregate duties and responsibilities as much as possible with the limited staff.

Waterworks District No.2, Parish of Beauregard

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Board of Commissioners
Paul Cooley- President
Ronnie Cagle- Vice President
Delores Franks-Commissioner
Billy White-Commissioner
Dennis Hyatt- Commissioner

Mr. Steve J. Theriot, CPA
Louisiana Legislative Auditor
P.O. Box 94397
Baton Rouge, LA. 80804-9397

Dear Mr. Theriot,

We have recently completed our annual audit and one finding was noted. Our response to this finding is stated below.

Audit Finding No. 2008-1

Lack of Segregation of Duties

It was noted during the annual audit of our financial statement that Waterworks District No. 2, Parish of Beauregard, Ward 5 lacked the proper segregation of duties. We are a small District and do not have the financial resources to hire additional personnel to achieve proper segregation of duties. The Board of Commissioners is aware of this condition and is monitoring the situation. Duties are segregated as much as possible with our limited staff.



Paula Rose
Secretary
Waterworks District No. 2,
Parish of Beauregard, Ward 5

John A. Windham, CPA

A Professional Corporation

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DeRidder, LA 70634
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John A. Windham, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Beauregard Parish Waterworks District No. 2
Singer, Louisiana

I have audited the financial statements of the the business-type activities of Beauregard Parish Waterworks District No. 2, as of and for the year ended December 31, 2008, which collectively comprise Beauregard Parish Waterworks District No. 2's, basic financial statements and have issued my report thereon dated May 20, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Beauregard Parish Waterworks District No. 2's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Beauregard Parish Waterworks District No. 2's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Beauregard Parish Waterworks District No. 2's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Beauregard Parish Waterworks District No. 2's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Beauregard Parish Waterworks No. 2's financial statements that is more than inconsequential will not be prevented or detected by Beauregard Parish Waterworks No. 2's internal control. I consider the deficiency described in the accompanying schedule of current year audit findings and management's response to be a significant deficiency in internal control over financial reporting, Audit Finding No. 2008-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Beauregard Parish Waterworks District No. 2's internal control.

Board of Commissioners
Beauregard Parish Waterworks
District No. 2
Singer, Louisiana

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beauregard Parish Waterworks District No. 2's, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Beauregard Parish Waterworks District No. 2's response to the findings identified in my audit is described in the accompanying schedule of current year audit findings and management's response. I did not audit Beauregard Parish Waterworks District No. 2's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties, although under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



DeRidder, Louisiana
May 20, 2009